

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 96 – Road Use Tax Allocations (LSB 1490 HH)

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Fiscal Note Version – New

Requested By – Representative Jeff Elgin

Description

House File 96 changes the Road Use Tax Fund allocations available for distribution to the four road funds as follows: 50.0% will be allocated to the Primary Road Fund (of the State), 25.0% to the Secondary Road Fund (of counties), and 25.0% to the City Street Fund (of cities). The Bill requires that the Secondary Road Fund be apportioned to counties on a per capita basis.

House File 96 eliminates the Farm-to-Market Road Fund; however, the State Treasurer will maintain a separate Farm-to-Market Road Account in the Secondary Road Fund. The Account will consist of moneys currently deposited in the Farm-to-Market Road Fund, including: all federal aid secondary road funds received by the State, all Road Use Tax Funds that were previously credited to the Farm-to-Market Road Fund, and any other funds which may be credited by law to the Account. The Account will be used for the same purpose that the Farm-to-Market Road Fund is currently used.

House File 96 gives the Department of Transportation the option to set aside up to 1.5% of revenues from the Farm-to-Market Road Account for deposit in the Secondary Road Research Fund.

Assumptions

1. Total Road Use Tax Fund revenues available for distribution to the Primary Road Fund, Secondary Road Fund, and City Street Fund will not change.
2. The calculation used to determine the annual off-the-top allocation from the Road Use Tax Fund to the Secondary Road Fund will not change.
3. The annual off-the-top allocation of \$1.5 million that is currently credited from the Road Use Tax Fund to the Farm-to-Market Road Fund will be credited to the Farm-to-Market Road Account. This will be the only amount credited to the Account. The Federal Aid Secondary Road Program no longer exists.
4. The percentage used to determine the amount allocated from the Primary Road Fund to the Transfer of Jurisdiction Fund will not change.
5. The percentages used to determine the amount allocated from the Transfer of Jurisdiction Fund to the Secondary Road Fund and City Street Fund will not change.
6. The Department of Transportation currently sets aside 1.5% of Farm-to-Market Road Fund receipts in the Secondary Road Research Fund. This amount is estimated to be \$1.2 million in FY 2005. It is unknown whether the Department will continue to set aside the same or any percentage from the Farm-to-Market Road Account for the Research Fund.
7. Road Use Tax Fund allocations are based on the most recent five-year forecast for Road Use Tax Fund revenues as calculated by the DOT. The forecast is updated annually.

8. Allocations from the Secondary Road Fund and Farm-to-Market Road Fund are based on the most recent Quadrennial Need Study performed by the DOT. The Study is performed every four years and updated annually, and is used to calculate the annual apportionment of Secondary Road Fund moneys to counties, based on area (30.0%) and need (70.0%). Since apportionments remain relatively static after each annual update, apportionments for FY 2006 and FY 2007 are estimated to be comparable to FY 2005.
9. The Bill does not specify whether funds from the Farm-to-Market Road Account will be distributed to counties. This analysis assumes that the funds will be distributed based on area and need.

Fiscal Impact

Road Use Tax Fund Allocations to the Road Funds

The estimated fiscal impact of HF 96 is an increase in revenues to the Primary Road Fund, Secondary Road Fund, and City Street Fund in FY 2006 and beyond, and a decrease to the Farm-to-Market Road Fund in FY 2006 and beyond. Total Road Use Tax Fund revenues available for distribution to the road funds will not change. The estimated Road Use Tax Fund allocations for FY 2006 and FY 2007 are shown in the following table:

House File 96
Estimated Road Use Tax Fund
Formula Allocations
(dollars in millions)

	FY 2006					FY 2007		
	Distribution	Current	Distribution	Proposed	Difference	Current	Proposed	Difference
Primary Road Fund	47.5%	\$ 460.7	50.0%	\$ 485.0	\$ 24.25	\$ 467.9	\$ 492.5	\$ 24.63
Secondary Road Fund	24.5%	237.6	25.0%	242.5	4.85	241.3	246.2	4.92
Farm-To-Market Road Fund	8.0%	77.6	0.0%	0.00	-77.59	78.8	0.00	-78.80
City Street Fund	20.0%	194.0	25.0%	242.5	48.50	197.0	246.2	49.25
Total Allocation	100.0%	\$ 969.9	100.0%	\$ 969.9	\$ 0.00	\$ 985.0	\$ 985.0	\$ 0.00

* Does not include the Farm-to-Market Road Account.

Farm-to-Market Road Account

The Farm-to-Market Road Account will receive the off-the-top allocation of \$1.5 million in FY 2006 and beyond. This analysis assumes the Department will set aside \$0 (0.0%), \$7,500 (0.5%), \$15,000 (1.0%), or \$22,500 (1.5%), for the Secondary Road Research Fund. The remaining funds would be distributed to counties based on area and need.

Secondary Road Research Fund

The estimated fiscal impact to the Street Research Fund in FY 2006 and FY 2007 is a decrease of \$1.2 million annually each year.

Transfer of Jurisdiction Fund

The estimated fiscal impact of HF 96 is an increase of approximately \$400,000 to the Transfer of Jurisdiction Fund in FY 2006 and FY 2007, and an increase in the amounts allocated from the Fund to the Secondary Road Fund and City Street Fund in FY 2006 and FY 2007.

Road Use Tax Fund Allocations to Counties

The estimated fiscal impact of HF 96 resulting from the elimination of the Farm-to-Market Road Fund and allocating Secondary Road Fund moneys based on population will vary for each county. Eleven counties will experience an estimated increase of between \$335,000 and \$25.3 million in FY 2006. The remaining 88 counties will experience an estimated decrease of

between \$11,000 and \$2.0 million in FY 2006. These amounts do not include allocations from the Transfer of Jurisdiction Fund and Farm-to-Market Road Account. Additional information for each county is available from the Fiscal Services Division.

Source

Department of Transportation

/s/ Holly M. Lyons

February 21, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
